

# KeyCorp

## First Quarter 2014 Earnings Review

April 17, 2014

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Chairman and  
Chief Executive Officer

**Don Kimble**

Chief Financial Officer



# FORWARD-LOOKING STATEMENTS AND ADDITIONAL INFORMATION DISCLOSURE

This presentation contains forward-looking statements, including statements about our financial condition, results of operations, asset quality trends, capital levels and profitability. Forward-looking statements can often be identified by words such as “outlook,” “goal,” “objective,” “plan,” “expect,” “anticipate,” “intend,” “project,” “believe,” or “estimate.” Forward-looking statements represent management’s current expectations and forecasts regarding future events. If underlying assumptions prove to be inaccurate or unknown risks or uncertainties arise, actual results could vary materially from these projections or expectations.

Risks and uncertainties include but are not limited to: (1) deterioration of commercial real estate market fundamentals; (2) declining asset prices; (3) adverse changes in credit quality trends; (4) changes in local, regional and international business, economic or political conditions; (5) the extensive and increasing regulation of the U.S. financial services industry; (6) increasing capital and liquidity standards under applicable regulatory rules; (7) unanticipated changes in our liquidity position, including but not limited to, changes in the cost of liquidity, our ability to enter the financial markets and to secure alternative funding sources; (8) our ability to receive dividends from our subsidiary, KeyBank; (9) downgrades in our credit ratings or those of KeyBank; (10) operational or risk management failures by us or critical third-parties; (11) breaches of security or failures of our technology systems due to technological or other factors and cybersecurity threats; (12) adverse judicial proceedings; (13) the occurrence of natural or man-made disasters or conflicts or terrorist attacks; (14) a reversal of the U.S. economic recovery due to economic, political or other shocks; (15) our ability to anticipate interest rate changes and manage interest rate risk; (16) deterioration of economic conditions in the geographic regions where we operate; (17) the soundness of other financial institutions; (18) our ability to attract and retain talented executives and employees, to effectively sell additional products or services to new or existing customers, and to manage our reputational risks; (19) our ability to timely and effectively implement our strategic initiatives; (20) increased competitive pressure due to industry consolidation; (21) unanticipated adverse effects of acquisitions and dispositions of assets or businesses; and (22) our ability to develop and effectively use the quantitative models we rely upon in our business planning.

We provide greater detail regarding these factors in our 2013 Form 10-K and subsequent filings, which are available online at [www.key.com/ir](http://www.key.com/ir) and [www.sec.gov](http://www.sec.gov). Forward looking statements speak only as of the date they are made and Key does not undertake any obligation to update the forward-looking statements to reflect new information or future events.

This presentation also includes certain Non-GAAP financial measures related to “tangible common equity,” “Tier 1 common equity,” “pre-provision net revenue,” and “cash efficiency ratio.” Management believes these ratios may assist investors, analysts and regulators in analyzing Key’s financials. Although Key has procedures in place to ensure that these measures are calculated using the appropriate GAAP or regulatory components, they have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of results under GAAP. For more information on these calculations and to view the reconciliations to the most comparable GAAP measures, please refer to the Appendix to this presentation or our most recent earnings press release.



# Investor Highlights – 1Q14

## Positive Operating Leverage

- Total average loans up 4% from prior year, driven by CF&A up 9%
- Continued investment in fee-based businesses; noninterest income up 2% from prior year
- Disciplined expense management; expenses down 7% from 4Q13 and 3% from prior year
- Focused on continued improvement in productivity and efficiency

## Strong Risk Management

- Net loan charge-offs improved with benefit from strong recoveries
- NPAs down 33% compared to prior year
- Strong level of reserves representing coverage of nearly 2x NPLs

## Disciplined Capital Management

- Completed 2013 capital plan
  - Common share repurchases of \$141 million in 1Q14
- No objection from Federal Reserve on 2014 capital plan
  - Common share repurchases of up to \$542 million and, subject to Board approval, an 18% increase in the quarterly common share dividend
  - Total payout estimated to be among the highest in peer group for second consecutive year

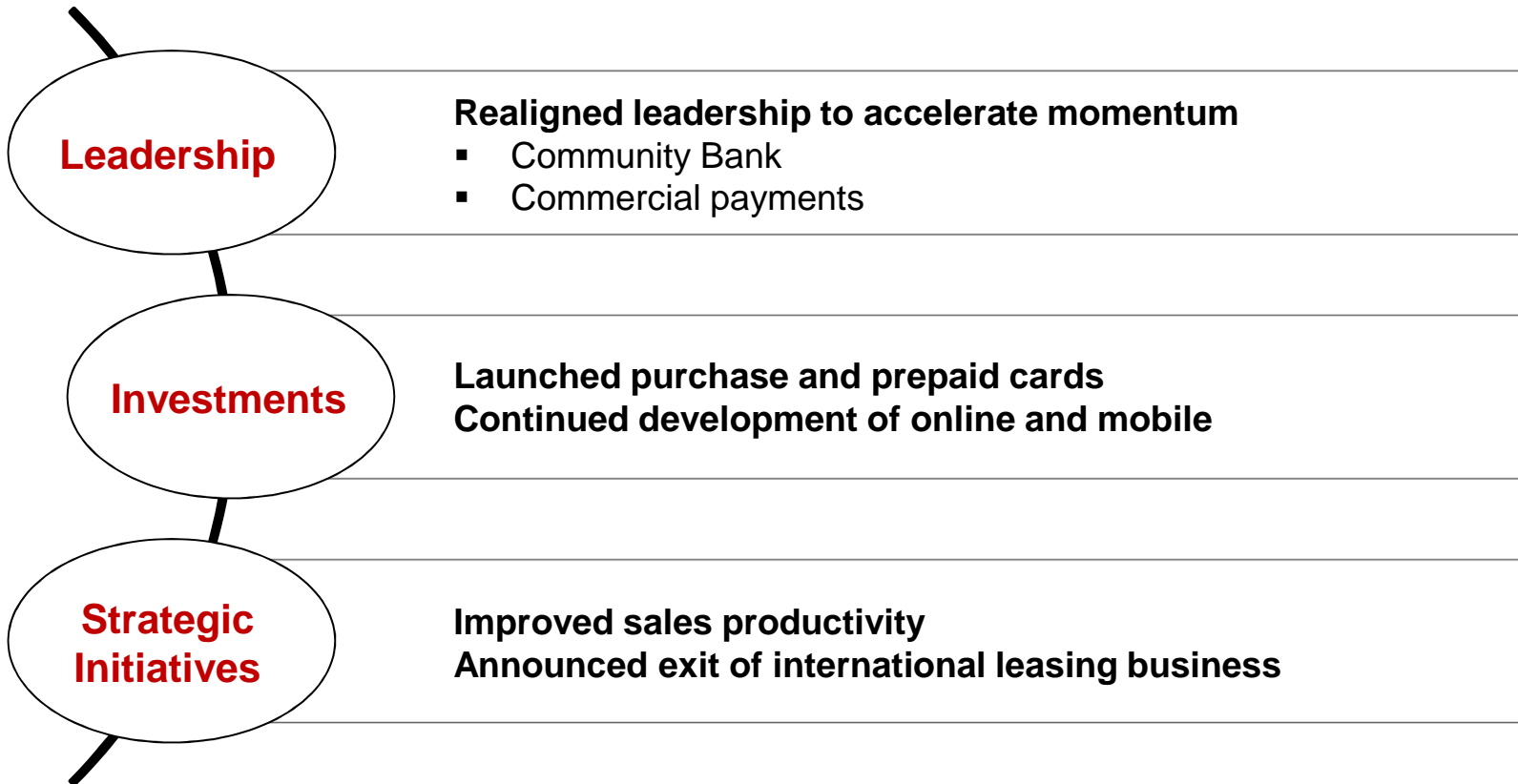
Execution of strategy and differentiated business model driving results



Note: Payout ratio calculations based upon 2013 and 2014 CCAR submissions and generally available industry data

# Driving Growth and Efficiency

## First Quarter 2014 Actions



# Financial Review



# Financial Highlights

	Metrics	1Q14	4Q13	3Q13	2Q13	1Q13
<b>Financial Performance</b> <sup>(a)</sup>	EPS – assuming dilution	\$ .26	\$ .26	\$ .25	\$ .21	\$ .21
	Cash efficiency ratio <sup>(e)</sup>	64.9 %	67.4 %	67.5 %	69.1 %	66.0 %
	Net interest margin (TE)	3.00	3.01	3.11	3.13	3.24
	Return on average total assets	1.13	1.08	1.12	.95	.99
<b>Balance Sheet Growth</b> <sup>(a), (b)</sup>	Total loans and leases	4 %	3 %	5 %	7 %	6 %
	CF&A loans	9	8	11	14	16
	Deposits (excl. foreign deposits)	4	8	5	8	7
<b>Capital</b> <sup>(c)</sup>	Tier 1 common equity <sup>(d), (e)</sup>	11.2 %	11.2 %	11.2 %	11.2 %	11.4 %
	Tier 1 risk-based capital <sup>(d)</sup>	12.0	12.0	11.9	11.9	12.2
	Tangible common equity to tangible assets <sup>(e)</sup>	10.1	9.8	9.9	10.0	10.2
<b>Asset Quality</b> <sup>(a)</sup>	NCOs to average loans	.15 %	.27 %	.28 %	.34 %	.38 %
	NPLs to EOP portfolio loans	.81	.93	1.01	1.23	1.24
	Allowance for loan losses to EOP loans	1.50	1.56	1.62	1.65	1.70

TE = Taxable equivalent, EOP = End of Period

(a) From continuing operations

(b) Year-over-year average balance growth

(c) From consolidated operations

(d) 3-31-14 ratios are estimated

(e) Non-GAAP measure: see Appendix for reconciliation



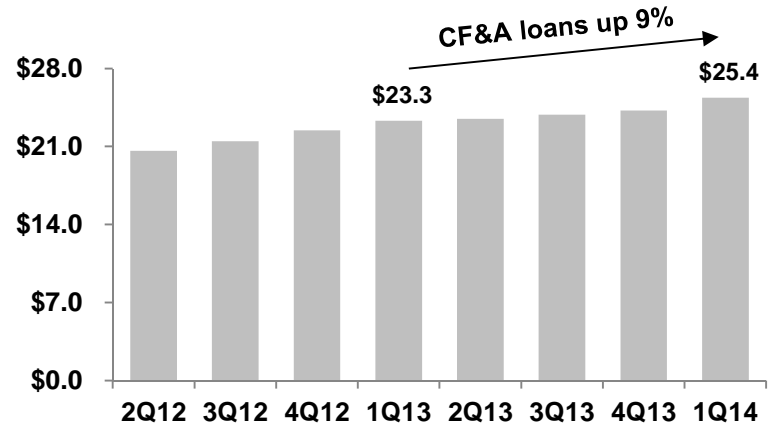
# Loan Growth

## Highlights

- Solid loan growth: average total loans up 4% from prior year
  - Driven by 9% increase in CF&A
- Period-end loans up 2% from 12/31/13
- Total commitments up from 4Q13 with slight increase in line utilization
- High quality new loan originations: consistent with moderate risk profile

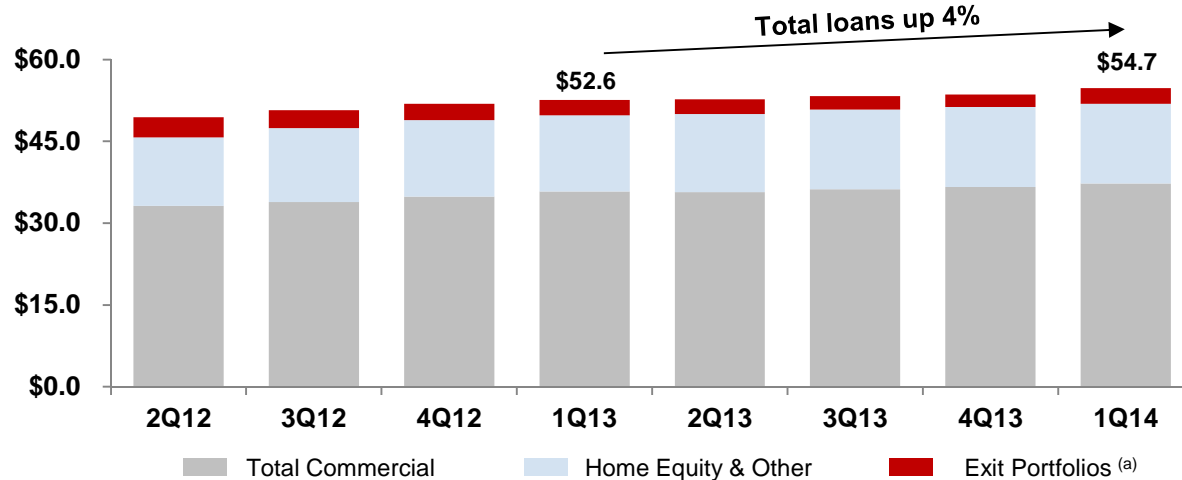
## Average Commercial, Financial & Agricultural Loans

\$ in billions



## Average Loans

\$ in billions



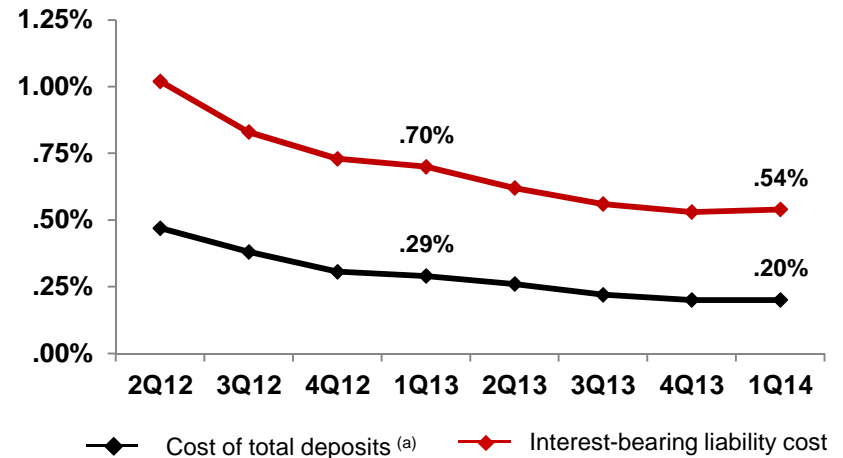
(a) Growth in exit portfolio from 4Q13 reflects movement of international leasing business

# Improving Deposit Mix

## Highlights

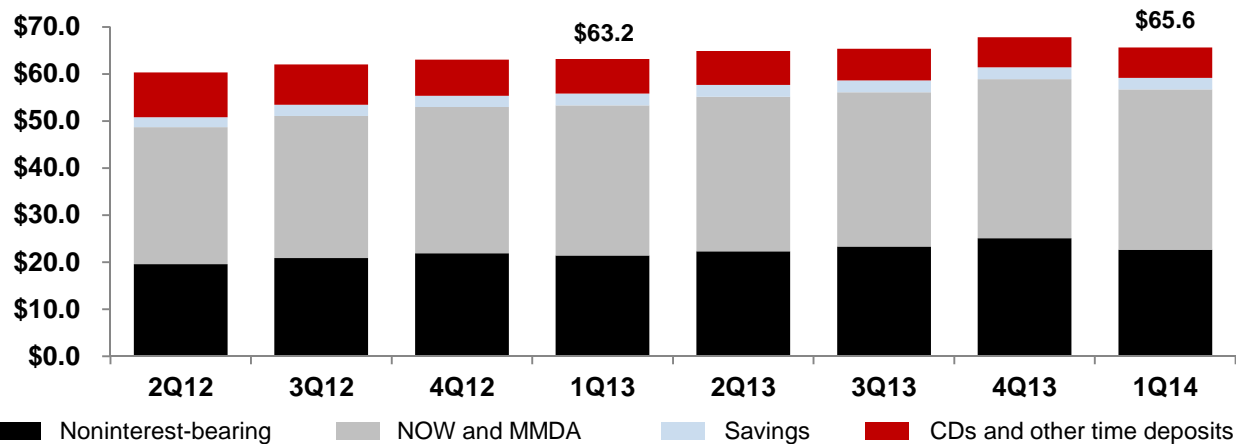
- Overall funding cost continues to improve
- Transaction deposit balances up 6% from 1Q13
- Deposits down from prior quarter primarily due to expected reduction in commercial mortgage servicing escrow balances
- Total CD maturities and average cost
  - 2014 Q2: \$1.7 billion at .99%
  - 2014 Q3: \$1.2 billion at 1.39%
  - 2014 Q4: \$.7 billion at .79%
  - 2015 and beyond: \$2.9 billion at 1.37%

## Funding Cost



## Average Deposits (a)

\$ in billions



Note: Transaction deposits include noninterest-bearing, and NOW and MMDA  
 (a) Excludes deposits in foreign office

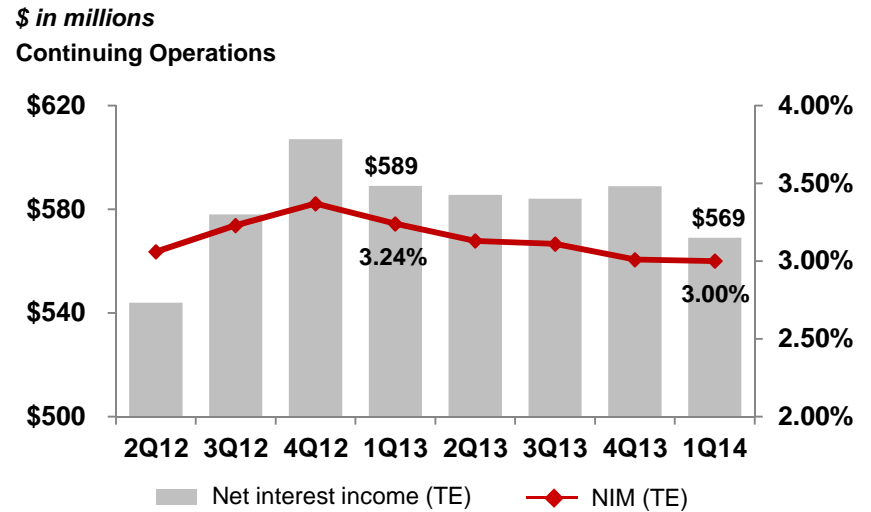


# Net Interest Income and Margin

## Highlights

- Net interest income down from prior quarter, due to:
  - Competitive environment and asset repricing
  - Fewer days in the quarter
  - Lower loan fees
  
- Maintaining moderate asset sensitive position
  - Naturally asset sensitive balance sheet flows: approximately 70% of loans variable rate
  - High quality investment portfolio with average life of 3.6 years
  - Flexibility to quickly adjust interest rate risk position

## Net Interest Income (TE) & Net Interest Margin (TE) Trend



NIM Change (bps):	vs. 4Q13
Earning asset mix / lower levels of liquidity	.06
Loan yield	(.05)
Loan fees	(.01)
Deposit balances and mix	(.01)
<b>Total Change</b>	<b>(.01)</b>

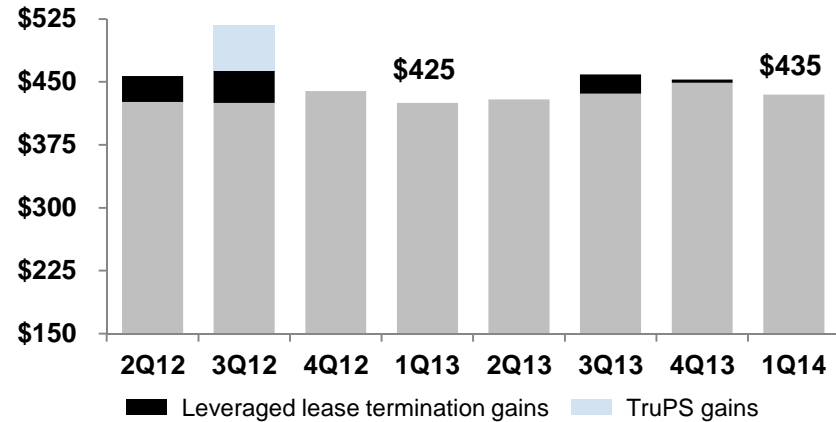
# Noninterest Income

## Highlights

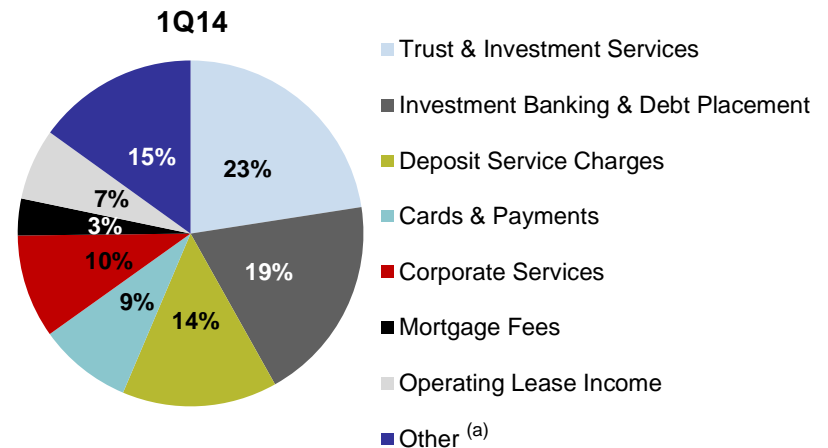
- **Noninterest income up 2% from prior year, reflecting investments and execution of business model**
  - Investment banking & debt placement (+6%)
  - Cards & payments (+3%)
  - Mortgage servicing (+88%, due to acquisition)
- **Change from prior quarter (down 4%) reflects:**
  - Higher commercial mortgage special servicing income in 4Q13
  - Seasonal decline in corporate-owned life insurance

## Noninterest Income

Continuing Operations  
\$ in millions



## Noninterest Income Diversity



TE = Taxable equivalent

(a) Other includes corporate-owned life insurance, principal investing, etc.

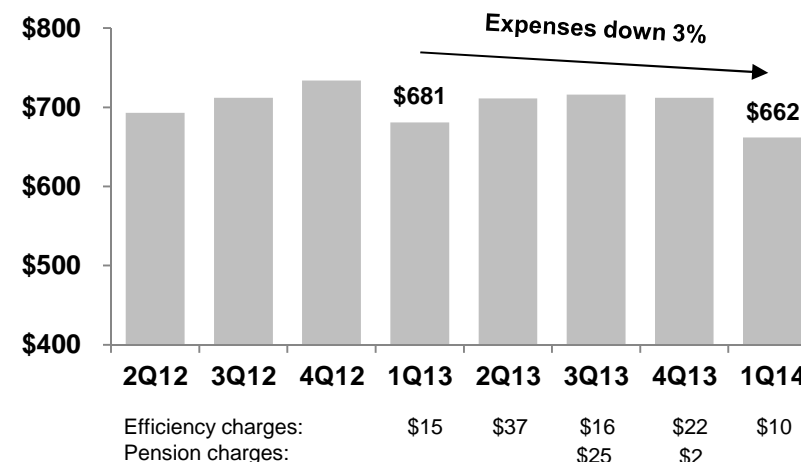
# Focused Expense Management

## Highlights

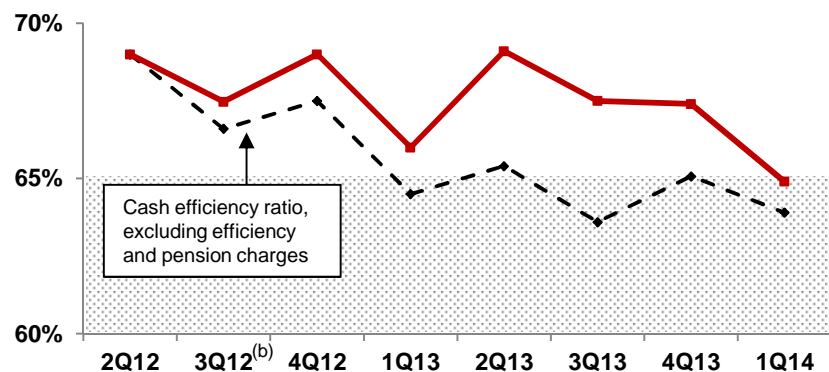
- Expenses down 3% from prior year and 7% from prior quarter
- Achieved cash efficiency ratio target of 60% - 65%
- Focused on continued improvement in efficiency and driving further into targeted range

## Noninterest Expense

\$ in millions



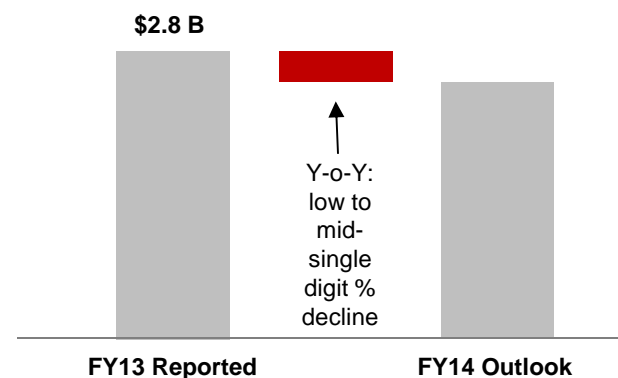
## Cash Efficiency Ratio (a)



Efficiency and pension charges, as a % of revenue:

Quarter	2Q12	3Q12 <sup>(b)</sup>	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14
Efficiency and pension charges, as a % of revenue:	.8%	1.5%	1.5%	3.6%	3.9%	2.3%	1.0%	

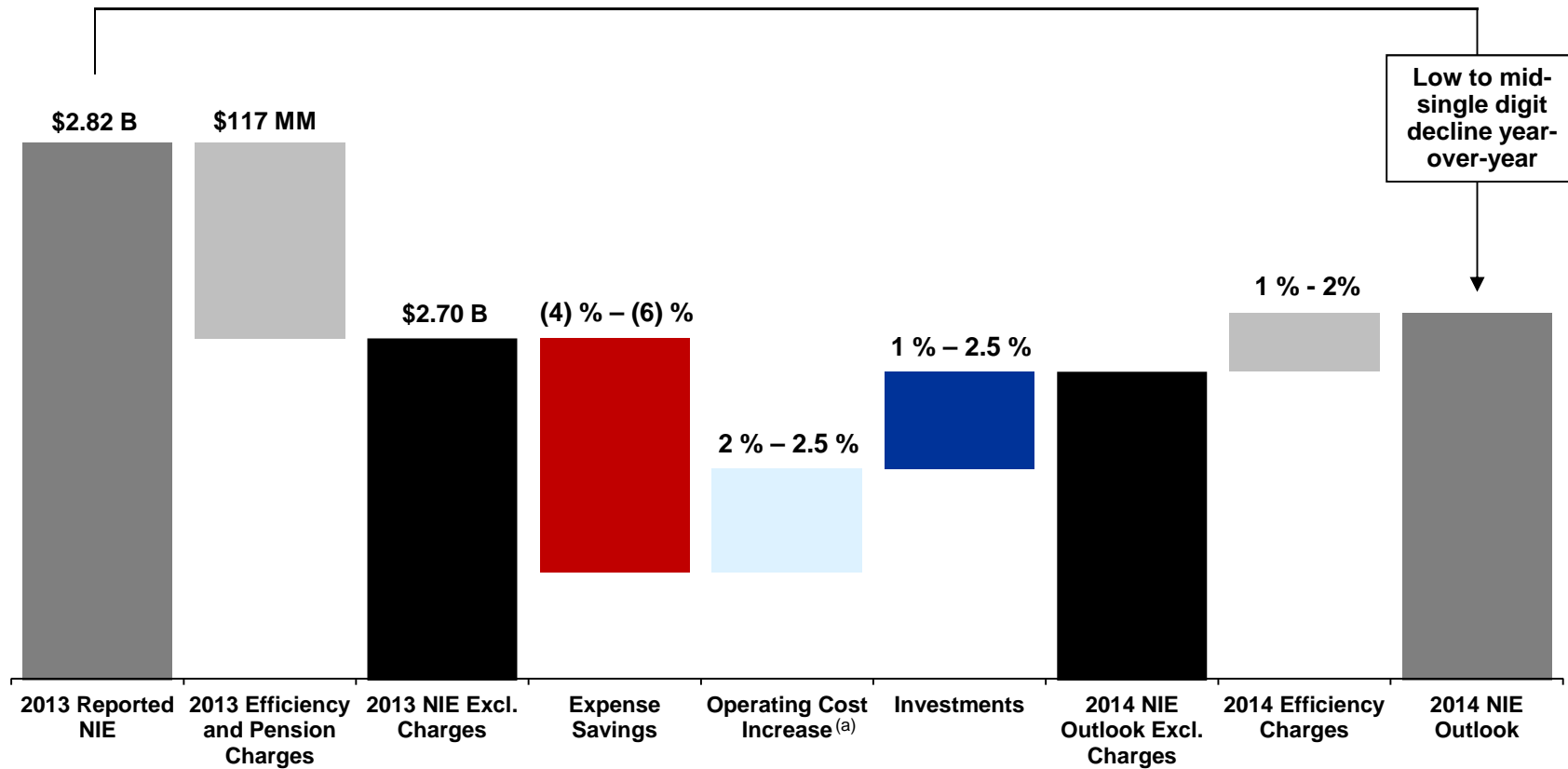
## Noninterest Expense Outlook



(a) Non-GAAP measure: see Appendix for reconciliation  
 (b) Excludes one-time gains of \$54 million related to the redemption of trust preferred securities

# Focused Expense Management

Continued cost savings enable investments and offset normal expense growth

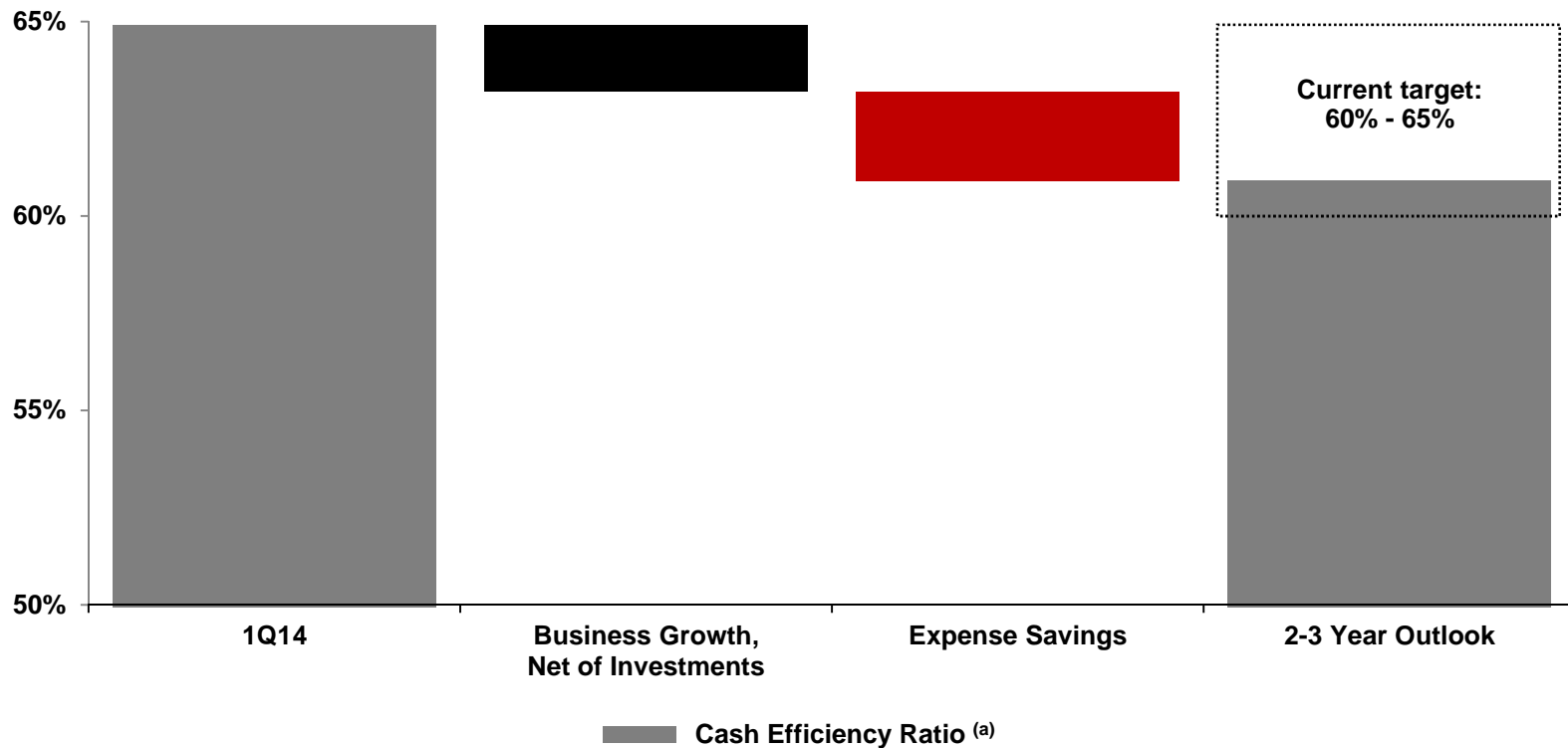


Note: Percentage ranges based upon 2014 expense plans and calculated from 2013 reported NIE

(a) Operating cost increase includes inflationary adjustments, annual merit increases, etc.

# Improving Efficiency

Driving productivity and continuous improvement



Rising interest rates present an opportunity for additional improvement, with long-term goal of moving below targeted range



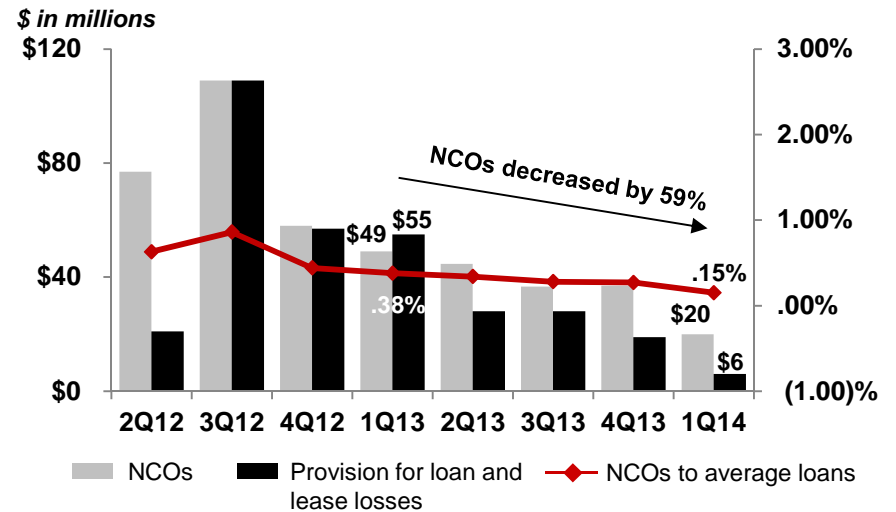
(a) Non-GAAP measure: see Appendix for reconciliation

# Continued Improvement in Asset Quality

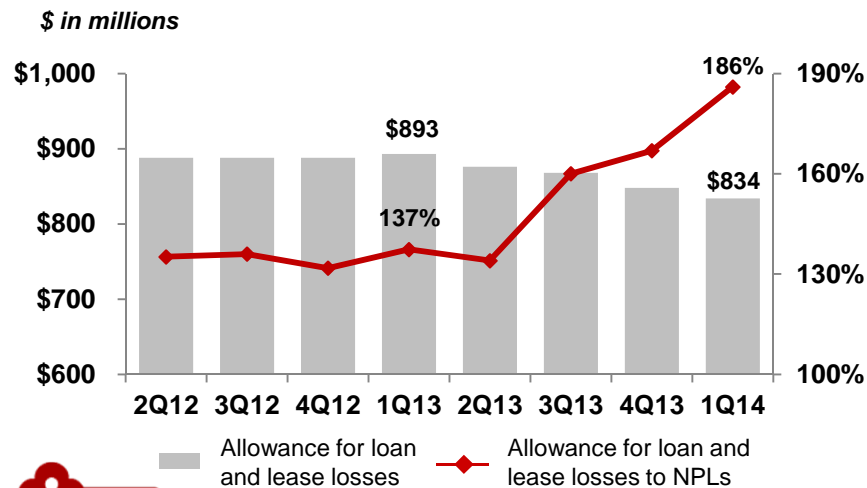
## Highlights

- Net loan charge-offs decreased 59% from 1Q13 to \$20 MM, or 15 bps of average loans
- Total gross charge-offs down 14% from prior quarter with recoveries up 28%
- 1Q14 total commercial loan recoveries exceeded gross charge-offs by \$8 MM
- Net charge-offs expected to continue below the targeted range for the remainder of the year

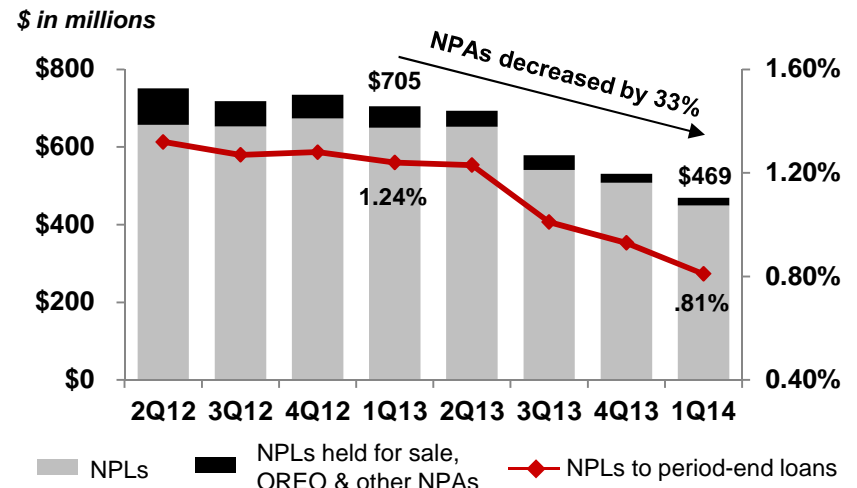
## Net Charge-offs & Provision for Loan and Lease Losses



## Allowance for Loan and Lease Losses



## Nonperforming Assets

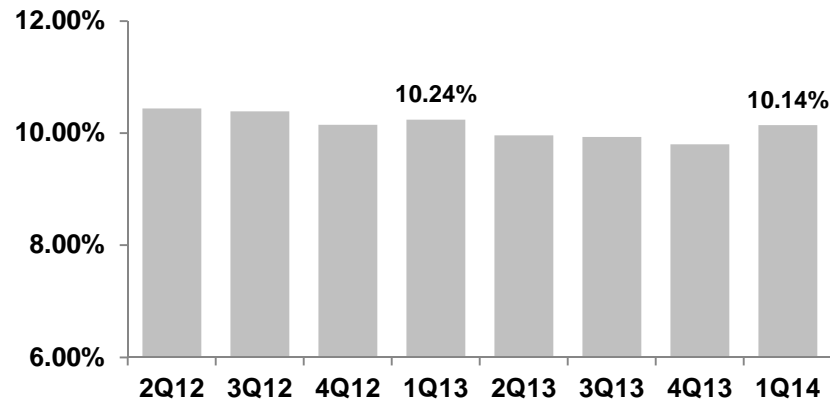


# Strong Capital

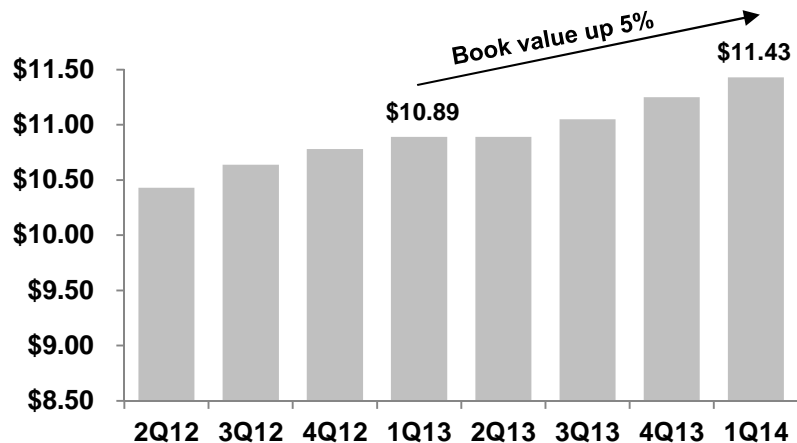
## Highlights

- **Disciplined execution of capital plan**
  - 1Q14: repurchased \$141 MM in common shares
- **No objection from Federal Reserve on 2014 capital plan, including:**
  - Share repurchase program of up to \$542 MM
  - 18% increase in quarterly common share dividend (subject to Board approval)
- **Strong liquidity positions Key to take actions necessary to meet LCR requirements**

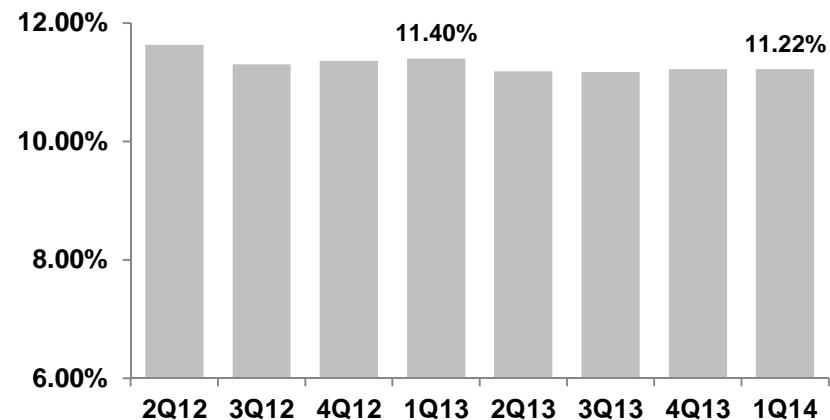
## Tangible Common Equity to Tangible Assets (a)



## Book Value per Share



## Tier 1 Common Equity (a), (b)



(a) Non-GAAP measure: see Appendix for reconciliations  
 (b) 3-31-14 ratio is estimated

# 2014 Outlook and Expectations

<b>Loans</b>	<ul style="list-style-type: none"><li>• Mid-single digit average balance growth</li></ul>
<b>Net Interest Income</b>	<ul style="list-style-type: none"><li>• Relatively stable from 2013, with slight downward pressure from competitive environment</li></ul>
<b>Noninterest Income</b>	<ul style="list-style-type: none"><li>• Low single-digit growth compared to prior year</li></ul>
<b>Expense</b>	<ul style="list-style-type: none"><li>• Low to mid-single digit percentage decline from 2013</li></ul>
<b>Efficiency / Productivity</b>	<ul style="list-style-type: none"><li>• Positive operating leverage</li></ul>
<b>Asset Quality</b>	<ul style="list-style-type: none"><li>• Net charge-offs to average loans expected to continue below targeted range of 40 – 60 bps for the remainder of the year</li></ul>
<b>Capital</b>	<ul style="list-style-type: none"><li>• Disciplined execution of 2014 capital plan, including dividends and share repurchases</li></ul>



Guidance ranges: relatively stable: +/- 2%; low single-digit: <5%; mid-single digit: 4% - 6%



# Appendix



# Progress on Targets for Success

Focus areas	Metrics <sup>(a)</sup>	1Q14	4Q13	Targets
Improving balance sheet efficiency	Loan to deposit ratio <sup>(b)</sup>	88%	84%	90-100%
Maintaining moderate risk profile	NCOs to average loans	.15%	.27%	40-60 bps
	Provision to average loans	.04%	.14%	
Growing high quality, diverse revenue streams	Net interest margin	3.00%	3.01%	>3.50%
	Noninterest income to total revenue	43%	43%	>40%
Generating positive operating leverage	Cash efficiency ratio <sup>(c)</sup>	65%	67%	60-65%
Strengthening returns with disciplined capital management	Return on average assets	1.13%	1.08%	1.00-1.25%

(a) Continuing operations, unless otherwise noted

(b) Represents period-end consolidated total loans and loans held for sale (excluding education loans in the securitization trusts) divided by period-end consolidated total deposits (excluding deposits in foreign office)

(c) Excludes intangible asset amortization; non-GAAP measure: see Appendix for reconciliation



# Driving Productivity and Efficiency

	Revenue Growth	Expense Savings
<b>Community Bank</b>	<ul style="list-style-type: none"><li>▪ Improving sales productivity</li><li>▪ Adding commercial and private bankers in target markets</li><li>▪ Enhancing online and mobile channels</li></ul>	<ul style="list-style-type: none"><li>▪ Optimizing branch channel</li><li>▪ Driving greater efficiencies through back and middle-office processes</li></ul>
<b>Corporate Bank</b>	<ul style="list-style-type: none"><li>▪ Adding senior bankers with industry expertise and relationships</li><li>▪ Strengthening commercial payment product capabilities</li></ul>	<ul style="list-style-type: none"><li>▪ Exiting international leasing originations and reducing related cost structure</li><li>▪ Variablizing cost through utilization of third-party partners</li></ul>
<b>Enterprise</b>	<ul style="list-style-type: none"><li>▪ Supporting business activities with technology development</li><li>▪ Driving productivity through improved talent management</li></ul>	<ul style="list-style-type: none"><li>▪ Improving operational effectiveness (Lean Six Sigma, variablizing costs)</li><li>▪ Reducing occupancy costs</li><li>▪ Right-sizing support activities</li></ul>

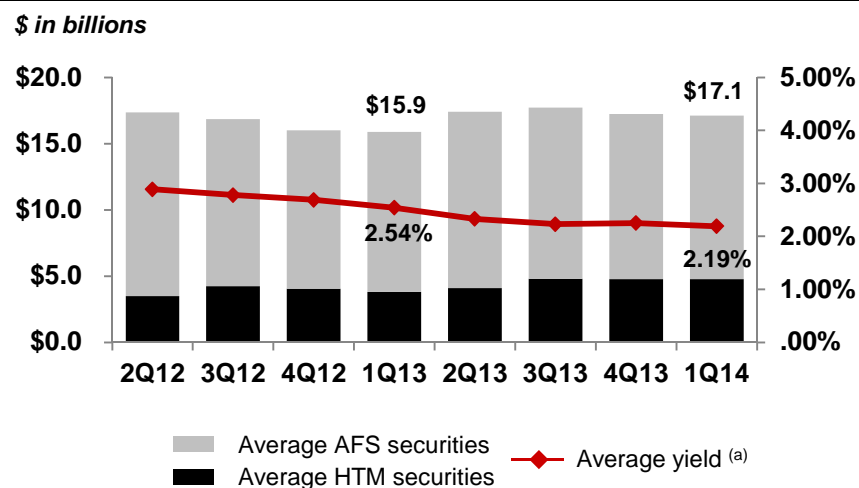


# High Quality Investment Portfolio

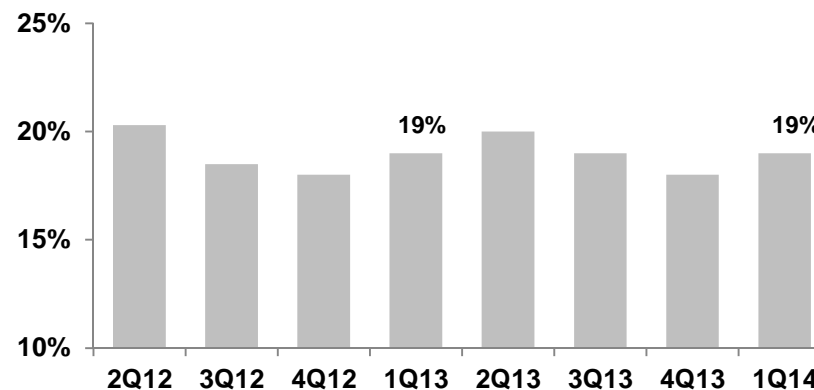
## Highlights

- Portfolio composed of Agency-backed CMOs: Fannie, Freddie & GNMA
  - No private label MBS or financial paper
- Average portfolio life at 3/31/14 of 3.6 years, unchanged from 12/31/13
- Securities cash flows of \$.8 billion in 1Q14 and \$.9 billion in 4Q13
- Currently reinvesting cash flows into GNMA securities, for Basel III liquidity
  - 27% of total portfolio was GNMA at 3/31/14

## Average Total Investment Securities



## Securities to Total Assets <sup>(b)</sup>

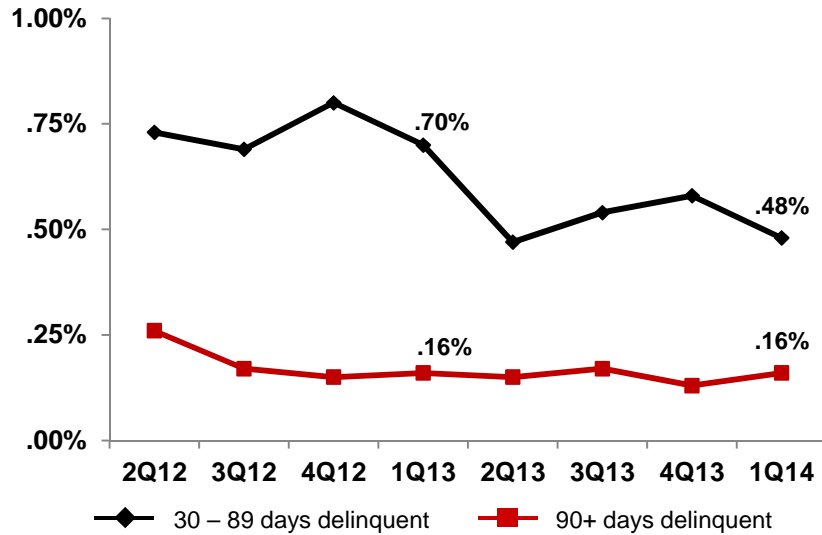


(a) Yield is calculated on the basis of amortized cost  
 (b) Includes end of period held-to-maturity and available-for-sale securities

# Asset Quality Trends

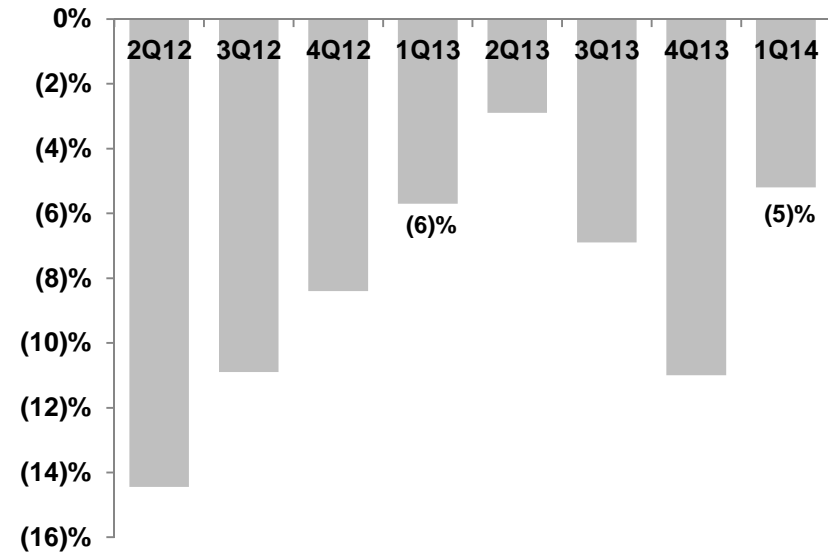
## Delinquencies to Period-end Total Loans

Continuing Operations



## Quarterly Change in Criticized Outstandings (a)

Continuing Operations



Metric (b)	1Q14		4Q13		3Q13		2Q13		1Q13	
Delinquencies to EOP total loans: 30-89 days	.48	%	.58	%	.54	%	.47	%	.70	%
Delinquencies to EOP total loans: 90+ days	.16		.13		.17		.15		.16	
NPLs to EOP portfolio loans	.81		.93		1.01		1.23		1.24	
NPAs to EOP portfolio loans + OREO + Other NPAs	.85		.97		1.08		1.30		1.34	
Allowance for loan losses to period-end loans	1.50		1.56		1.62		1.65		1.70	
Allowance for loan losses to NPLs	185.7		166.9		160.4		134.4		137.4	



(a) Loan and lease outstandings  
(b) From continuing operations

# Credit Quality

## Credit Quality by Portfolio

\$ in millions	Period-end loans	Average loans	Net loan charge-offs	Net loan charge-offs <sup>(b)</sup> / average loans (%)	Nonperforming loans <sup>(c)</sup>	Ending allowance <sup>(d)</sup>	Allowance / period-end loans <sup>(d)</sup> (%)	Allowance / NPLs (%)
	3/31/14	1Q14	1Q14	1Q14	3/31/14	3/31/14	3/31/14	3/31/14
Commercial, financial and agricultural <sup>(a)</sup>	\$ 26,224	\$ 25,390	\$ 2	.03	\$ 60	\$ 373	1.42	621.67
Commercial real estate:								
Commercial Mortgage	7,877	7,807	1	.05	37	161	2.04	435.14
Construction	1,007	1,091	(12)	(4.46)	11	37	3.67	336.36
Commercial lease financing	4,396	4,439	1	.09	18	62	1.41	344.44
Real estate – residential mortgage	2,183	2,187	2	.37	105	27	1.24	25.71
Home equity	10,596	10,630	9	.34	199	91	.86	45.73
Credit cards	698	701	6	3.47	1	32	4.58	N/M
Consumer other – Key Community Bank	1,436	1,438	6	1.69	2	25	1.74	N/M
Consumer other – Exit Portfolio	1,028	1,063	5	1.91	16	26	2.53	162.50
<b>Continuing total <sup>(e)</sup></b>	<b>\$ 55,445</b>	<b>\$ 54,746</b>	<b>\$ 20</b>	<b>.15</b>	<b>\$ 449</b>	<b>\$ 834</b>	<b>1.50</b>	<b>185.75</b>
Discontinued operations	4,382	4,455	9	1.45	24	34	1.41	145.83
<b>Consolidated total</b>	<b>\$ 59,827</b>	<b>\$ 59,201</b>	<b>\$ 29</b>	<b>.21</b>	<b>\$ 473</b>	<b>\$ 868</b>	<b>1.50</b>	<b>183.72</b>

N/M = Not meaningful

- (a) 3-31-14 ending loan balances include \$95 million of commercial credit card balances; 3-31-14 average loan balances include \$94 million of assets from commercial credit cards
- (b) Net loan charge-off amounts are annualized in calculation. NCO ratios for discontinued operations and consolidated Key exclude education loans in the securitization trusts since valued at fair-market value
- (c) 3-31-14 NPL amount excludes \$16 million of purchased credit impaired loans
- (d) 3-31-14 allowance by portfolio is estimated. Allowance/period loans ratios for discontinued operations and consolidated Key exclude education loans in the securitization trusts since valued at fair-market value
- (e) 3-31-14 ending loan balances include purchased loans of \$159 million, of which \$16 million were purchased credit impaired



# Home Equity Portfolio

## Highlights

- High quality portfolio
- Community bank loans and lines: 97% of total portfolio; branch-originated
  - 58% first lien position
  - Average FICO score of 764
  - Average LTV at origination: 71%
- \$3.9 billion of the total portfolio are fixed rate loans that require principal and interest payments; \$6.7 billion are lines
- \$1.4 billion in lines outstanding (13% of the total portfolio) come to end of draw period in the next four years
  - Proactive communication and client outreach initiated near end of draw period

## Home Equity Portfolio – 3/31/14

\$ in millions, except average loan size

	Loan Balances	Average Loan Size (\$)	Average FICO	Average LTV <sup>(a)</sup>	% of Loans LTV>90%	Vintage (% of Loans)				
						2012 and later	2011	2010	2009	2008 and prior
<b>Loans and lines</b>										
First lien	\$ 5,999	\$ 68,672	766	68%	.1%	44%	6%	4%	4%	42%
Second lien	4,282	47,351	761	76	3.7	29	5	4	4	58
Community Bank	\$ 10,281	57,826	764	71	1.8	38	5	4	4	49
Exit portfolio	315	22,524	729	80	31.1	-	-	-	-	100
<b>Total home equity portfolio</b>	<b>\$ 10,596</b>									
<b>Nonaccrual loans and lines</b>										
First lien	\$ 96	\$ 63,490	714	72%	.4%	3%	4%	3%	5%	85%
Second lien	92	48,815	710	78	1.4	1	2	2	3	92
Community Bank	\$ 188	55,353	712	75	.9	2	3	2	4	89
Exit portfolio	11	23,981	703	78	27.8	-	-	-	-	100
<b>Total home equity nonaccruals</b>	<b>\$ 199</b>									
<b>First quarter net charge-offs (NCOs)</b>										
Community Bank	\$ 7					1%	3%	1%	3%	92%
% of average loans	.28%									
Exit Portfolio	\$ 2					-	-	-	-	100
% of average loans	2.50%									

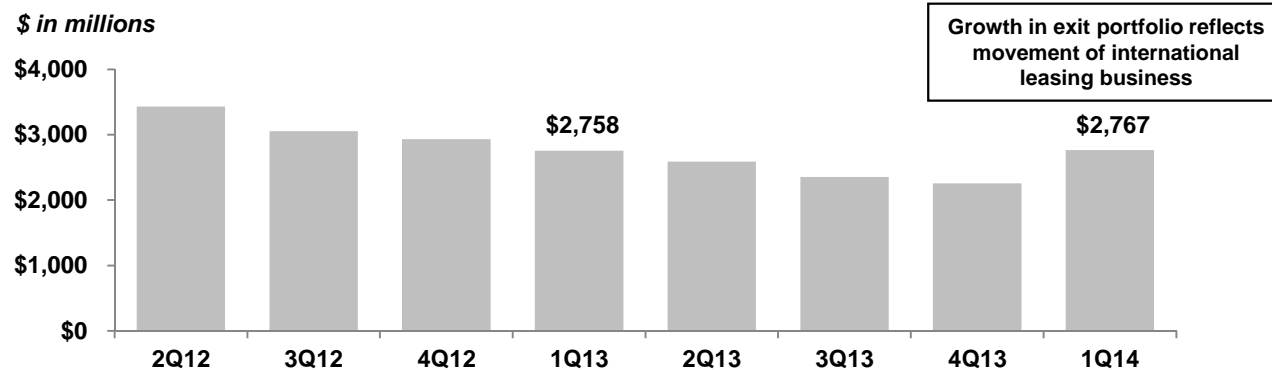


(a) Average LTVs are at origination. Current average LTVs for Community Bank total home equity loans and lines is approximately 71%, which compares to 73% at the end of the fourth quarter 2013.

# Exit Loan Portfolio

## Exit Loan Portfolio

\$ in millions	Balance Outstanding		Change	Net Loan Charge-offs		Balance on Nonperforming Status	
	3-31-14	12-31-13		3-31-14 vs. 12-31-13	1Q14 <sup>(c)</sup>	4Q13 <sup>(c)</sup>	3-31-14
Residential properties – homebuilder	\$ 20	\$ 20	-	\$ (1)	-	\$ 7	\$ 7
Marine and RV floor plan	23	24	\$ (1)	-	-	6	6
Commercial lease financing <sup>(a)</sup>	1,381	782	599	(2)	\$ (2)	3	-
Total commercial loans	1,424	826	598	(3)	(2)	16	13
Home equity – Other	315	334	(19)	2	3	11	16
Marine	965	1,028	(63)	4	5	15	26
RV and other consumer	63	70	(7)	1	1	1	1
Total consumer loans	1,343	1,432	(89)	7	9	27	43
<b>Total exit loans in loan portfolio</b>	<b>\$ 2,767</b>	<b>\$ 2,258</b>	<b>\$ 509</b>	<b>\$ 4</b>	<b>\$ 7</b>	<b>\$ 43</b>	<b>\$ 56</b>
Discontinued operations – education lending business (not included in exit loans above) <sup>(b)</sup>	\$ 4,354	\$ 4,497	\$ (143)	\$ 9	\$ 9	\$ 20	\$ 25



- (a) Includes (1) the business aviation, commercial vehicle, office products, construction and industrial leases; (2) Canadian lease financing portfolios; (3) European lease financing portfolios; and (4) all remaining balances related to lease in, lease out; sale in, lease out; service contract leases; and qualified technological equipment leases.
- (b) Includes loans in Key's consolidated education loan securitization trusts
- (c) Credit amounts indicate recoveries exceeded charge-offs





# GAAP to Non-GAAP Reconciliation<sup>(a)</sup>

\$ in millions

	Three months ended				
	3-31-14	12-31-13	9-30-13	6-30-13	3-31-13
<b>Tangible common equity to tangible assets at period end</b>					
Key shareholders' equity (GAAP)	\$ 10,403	\$ 10,303	\$ 10,206	\$ 10,229	\$ 10,340
Less: Intangible assets <sup>(b)</sup>	1,012	1,014	1,017	1,021	1,024
Preferred Stock, Series A <sup>(c)</sup>	282	282	282	282	291
Tangible common equity (non-GAAP)	<u>\$ 9,109</u>	<u>\$ 9,007</u>	<u>\$ 8,907</u>	<u>\$ 8,926</u>	<u>\$ 9,025</u>
Total assets (GAAP)	\$ 90,802	\$ 92,934	\$ 90,708	\$ 90,639	\$ 89,198
Less: Intangible assets <sup>(b)</sup>	1,012	1,014	1,017	1,021	1,024
Tangible assets (non-GAAP)	<u>\$ 89,790</u>	<u>\$ 91,920</u>	<u>\$ 89,691</u>	<u>\$ 89,618</u>	<u>\$ 88,174</u>
Tangible common equity to tangible assets ratio (non-GAAP)	10.14 %	9.80 %	9.93 %	9.96 %	10.24 %
<b>Tier 1 common equity at period end</b>					
Key shareholders' equity (GAAP)	\$ 10,403	\$ 10,303	\$ 10,206	\$ 10,229	\$ 10,340
Qualifying capital securities	339	339	340	339	339
Less: Goodwill	979	979	979	979	979
Accumulated other comprehensive income (loss) <sup>(d)</sup>	(367)	(394)	(409)	(359)	(204)
Other assets <sup>(e)</sup>	86	89	96	101	106
Total Tier 1 capital (regulatory)	10,044	9,968	9,880	9,847	9,798
Less: Qualifying capital securities	339	339	340	339	339
Preferred Stock, Series A <sup>(c)</sup>	282	282	282	282	291
Total Tier 1 common equity (non-GAAP)	<u>\$ 9,423</u>	<u>\$ 9,347</u>	<u>\$ 9,258</u>	<u>\$ 9,226</u>	<u>\$ 9,168</u>
Net risk-weighted assets (regulatory) <sup>(f)</sup>	\$ 83,951	\$ 83,328	\$ 82,913	\$ 82,528	\$ 80,400
Tier 1 common equity ratio (non-GAAP) <sup>(f)</sup>	11.22 %	11.22 %	11.17 %	11.18 %	11.40 %
<b>Pre-provision net revenue</b>					
Net interest income (GAAP)	\$ 563	\$ 583	\$ 578	\$ 581	\$ 583
Plus: Taxable-equivalent adjustment	6	6	6	5	6
Noninterest income (GAAP)	435	453	459	429	425
Less: Noninterest expense (GAAP)	662	712	716	711	681
Pre-provision net revenue from continuing operations (non-GAAP)	<u>\$ 342</u>	<u>\$ 330</u>	<u>\$ 327</u>	<u>\$ 304</u>	<u>\$ 333</u>

a) For the reconciliation of periods prior to 2013, please see page 99 of our 2013 Form 10-K

b) Three months ended March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013, and March 31, 2013, exclude \$84 million, \$92 million, \$99 million, \$107 million, and \$114 million of period-end purchased credit card receivable intangible assets, respectively

c) Net of capital surplus for the three months ended March 31, 2014, December 31, 2013, September 30, 2013, and June 30, 2013

d) Includes net unrealized gains or losses on securities available for sale (except for net unrealized losses on marketable equity securities), net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting guidance for defined benefit and other postretirement plans

e) Other assets deducted from Tier 1 capital and net risk-weighted assets consist of disallowed intangible assets (excluding goodwill) and deductible portions of nonfinancial equity investments. There were no disallowed deferred tax assets at March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013, and March 31, 2013

f) 3-31-14 amount is estimated



# GAAP to Non-GAAP Reconciliation<sup>(a)</sup> (continued)

\$ in millions

	Three months ended				
	3-31-14	12-31-13	9-30-13	6-30-13	3-31-13
<b>Average tangible common equity</b>					
Average Key shareholders' equity (GAAP)	\$ 10,371	\$ 10,272	\$ 10,237	\$ 10,314	\$ 10,279
Less: Intangible assets (average) <sup>(b)</sup>	1,013	1,016	1,019	1,023	1,027
Preferred Stock, Series A (average)	291	291	291	291	291
Average tangible common equity (non-GAAP)	<u>\$ 9,067</u>	<u>\$ 8,965</u>	<u>\$ 8,927</u>	<u>\$ 9,000</u>	<u>\$ 8,961</u>
<b>Return on average tangible common equity from continuing operations</b>					
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 232	\$ 229	\$ 229	\$ 193	\$ 196
Average tangible common equity (non-GAAP)	9,067	8,965	8,927	9,000	8,961
Return on average tangible common equity from continuing operations (non-GAAP)	10.38 %	10.13 %	10.18 %	8.60 %	8.87 %
<b>Return on average tangible common equity consolidated</b>					
Net income (loss) attributable to Key common shareholders (GAAP)	\$ 236	\$ 224	\$ 266	\$ 198	\$ 199
Average tangible common equity (non-GAAP)	9,067	8,965	8,927	9,000	8,961
Return on average tangible common equity consolidated (non-GAAP)	10.56 %	9.91 %	11.82 %	8.82 %	9.01 %
<b>Cash efficiency ratio</b>					
Noninterest expense (GAAP)	\$ 662	\$ 712	\$ 716	\$ 711	\$ 681
Less: Intangible asset amortization (GAAP)	10	10	12	10	12
Adjusted noninterest expense (non-GAAP)	<u>\$ 652</u>	<u>\$ 702</u>	<u>\$ 704</u>	<u>\$ 701</u>	<u>\$ 669</u>
Net interest income (GAAP)	\$ 563	\$ 583	\$ 578	\$ 581	\$ 583
Plus: Taxable-equivalent adjustment	6	6	6	5	6
Noninterest income (GAAP)	435	453	459	429	425
Total taxable-equivalent revenue (non-GAAP)	<u>\$ 1,004</u>	<u>\$ 1,042</u>	<u>\$ 1,043</u>	<u>\$ 1,015</u>	<u>\$ 1,014</u>
Cash efficiency ratio (non-GAAP)	64.9 %	67.4 %	67.5 %	69.1 %	66.0 %



(a) For the reconciliation of periods prior to 2013, please see page 99 of our 2013 Form 10-K

(b) Three months ended March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013, and March 31, 2013, exclude \$89 million, \$96 million, \$103 million, \$110 million, and \$118 million of average purchased credit card receivable intangible assets, respectively

# Common Equity Tier 1 Under the Regulatory Capital Rules (estimated) (a)

KeyCorp & Subsidiaries

<i>\$ in billions</i>	Quarter ended Mar. 31, 2014
Tier 1 common equity under current regulatory rules	\$ 9.4
Adjustments from current regulatory rules to the Regulatory Capital Rules:	
Deferred tax assets and PCCRs <sup>(b)</sup>	(.1)
Common Equity Tier 1 anticipated under the Regulatory Capital Rules <sup>(c)</sup>	\$ 9.3
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Total risk-weighted assets under current regulatory rules	\$ 84.0
Adjustments from current regulatory rules to the Regulatory Capital Rules:	
Loan commitments <1 year	1.0
Past Due Loans	.2
Mortgage servicing assets <sup>(d)</sup>	.5
Deferred tax assets <sup>(d)</sup>	.2
Other	1.4
Total risk-weighted assets anticipated under the Regulatory Capital Rules	\$ 87.2
<hr/>	
<b>Common Equity Tier 1 ratio under the Regulatory Capital Rules</b>	<b>10.7 %</b>

Table may not foot due to rounding

- (a) Tier 1 common equity is a non-generally accepted accounting principle (GAAP) financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies; management reviews Tier 1 common equity along with other measures of capital as part of its financial analyses
- (b) Includes the deferred tax asset subject to future taxable income for realization, primarily tax credit carryforwards, as well as the deductible portion of purchased credit card receivables
- (c) The anticipated amount of regulatory capital and risk-weighted assets is based upon the federal banking agencies' Regulatory Capital Rules (as fully phased-in on January 1, 2019); Key is subject to the Regulatory Capital Rules under the "standardized approach"
- (d) Item is included in the 10%/15% exceptions bucket calculation and is risk-weighted at 250%

